GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5042
ANSWERED ON:16.12.2016
Irregular Tax Benefits
Boianapalli Shri Vinod Kumar

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that the Income Tax Department has provided irregular tax benefits to infrastructure companies without verification costing the exchequer over Rs.4500 crore;

(b) if so, the details thereof

(c) whether the Central Board of Direct Taxes (CBDT) has any established mechanism to assess the impact of revenue foregone on account of deductions under Section 801A on the economy and industrial growth of the country, if so, the details thereof;

(d) whether the CBDT has mechanism for proper linkage between tax benefit allowed by the IT department with the actual investment made by the assessee to assess the impact of tax holiday; and

if so, the details thereof along with the companies that availed such benefits during the last three years and the current year?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SANTOSH KUMAR GANGWAR)
(a) Yes, Madam. The office of the Comptroller & Auditor General (C & AG) conducts compliance as well as performance audit relating to specific area of work of the

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Department. Such an audit on the issue relating to "Allowance of deduction to the assessees engaged in Infrastructure Development" was conducted by the C & AG in the year 2015 and the report was tabled in Parliament on 22/11/2016. The C & AG has pointed out irregularity in allowance of deduction of Rs.4539.09 crores. The Government is aware of the possibility of irregular allowance of deduction as reported by the C & AG. However, the objections raised by the C & AG are subject matter of verification and acceptance at the field level, therefore, it is not correct that the irregular tax benefits have been allowed to Infrastructure Company to the extent of amount over Rs.4,500 crores. There is a well established mechanism of dealing with Audit Objections and taking remedial action. Wherever required the Department of Income Tax takes remedial action to safeguard the revenue under intimation to the C & AG.

(b) The Details of irregular tax benefits as pointed out by the C & AG(as per C & AG's report No. 28 of 2016) is attached as Annexure A.

(c) There is no mechanism in CBDT to assess the impact of revenue foregone on account of deduction under section 80IA on the economy and industrial growth of the country.

(d) At present there is no mechanism for linkage between tax benefit allowed by the IT Department with the actual investment made by the assessee to assess the impact of tax holiday.

(e) NIL